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SUPREME COURT RULES ON MARKETING ORDERS

The United States Supreme Court has ruled in favor of Marketing Orders continuing to function as they have in the past. The ruling was on the case of Glickman vs. Wileman Bros. & Elliot Inc. With a final vote of 5-4, the court said the agriculture industry can use marketing orders as a vehicle for shippers to participate in generic advertising aimed at enhancing the health of their entire industry. The court ruled that these assessments do not run afoul of the Constitution's First Amendment, which protects freedom of speech.

Judge John Paul Stevens wrote for the court "The mere fact that one or more producers do not wish to foster generic advertising of their product is not a sufficient reason for overriding the judgement of the majority of market participants, bureaucrats and legislators who have concluded that such programs are beneficial."

CDFA Secretary Ann M. Veneman stated "This ruling will continue to provide our farmers the opportunity to actively promote their products, conduct extensive research into improved food safety, and create consumer health and education programs through these type of marketing programs."

--Continued on page 4--

MAY MILK PRODUCTION

California's May milk production on all farms and ranches totaled 2.4 billion pounds, up 8.2 percent from May 1996. Year to date production is up 6.3 percent. USDA's preliminary total United States production estimate is 11.8 billion pounds, up 2.1 percent from May 1996. Year to date U.S. production is up 0.7 percent.

CLASS 2, 3, 4A AND 4B HEARING

The Department has granted a portion of the petition from Milk Producers Council for a public hearing. The hearing will be limited to consideration of amendments to the Class 2, 3, 4a and 4b pricing formulas.

The hearing will be held on Wednesday September 3, 1997, beginning at 9:00 a.m. at the Piccadilly Inn, Fresno Airport, 5115 East McKinley in Fresno.

To assist interested persons in preparing for the hearing, a public workshop will be held in Sacramento on Tuesday August 12, 1997, beginning at 9:30 a.m., at 1220 N Street, Room 102 in Sacramento.

If you have any questions, please contact Elton Brooks at (916) 654-1456 or e-mail Elton at ebrooks@cdffa.ca.gov. Copies of the petition may be obtained from Cheryl Gilbertson at the same number or e-mail Cheryl at cgilbertson@cdffa.ca.gov.

IN THIS ISSUE

- Why is Milk Regulated2
- Dairy Council Rates2
- Inspection Fees to Increase2
- Alfalfa Hay Summary3
- Vesicular Stomatitis Notice3
- Quota Transfer Summary3
- Minimum Class Prices3

WHY IS MILK REGULATED?

This is the first in a series of articles on milk pricing in California.

Prior to the government's presence in the milk marketplace, a small number of large, well organized processor-handlers controlled milk price negotiations. As a group, producers were unorganized and at the mercy of processors. In an attempt to level the playing field, producers banded together to form cooperatives. These early cooperatives were formed with the hope of achieving the strength needed to bargain for a desirable milk price.

The success of early dairy cooperatives was limited. Effective price negotiations were impaired by the willingness of non-cooperative dairy producers to sell their milk for less than the negotiated price. In 1935, the California Legislature addressed the inequities in milk markets by passing the first piece of legislation intended to correct some of the existing market failures and disorderly practices.

Is government intervention still needed to achieve orderly marketing of dairy products? Many of the characteristics of milk and related economic conditions that justified government intervention in dairy markets in the 1930's have remained the same. Some of the key characteristics are:

- milk remains a perishable product
- producers outnumber processors 20 to 1

DAIRY COUNCIL RATE DECREASES

Upon a recommendation from the Dairy Council of California, the Department has set the Council's assessment rates for the 1997-1998 fiscal year (July 1997 - June 1998). The funds generated by such fees are used by the Council to carry out education and research activities on behalf of the milk industry.

The 1997-1998 Dairy Council fee for Class 1 milk is **\$0.0169** per cwt. This new Class 1 milk rate is lower than that of 1996-1997 which was \$0.0181 per cwt. The 1997-1998 Dairy Council fee for all other uses of milk is **\$0.0046** per cwt. This rate is unchanged from the 1996-1997 rate for all other uses. These fees apply to all producers and handlers of market and manufacturing milk.

If you have any questions regarding the Dairy Council's assessments, please call Dennis Manderfield at (916) 654-1245, or e-mail Dennis at dmanderfield@cdfa.ca.gov.

- health regulations are insufficient to assure an adequate supply of milk
- production is highest when demand for fluid milk is at a seasonal low
- milk continues to be viewed as a necessary food item

These factors contribute to the potential for disorderly marketing of milk in the absence of government intervention.

Marketing of milk and dairy products faces many of the same challenges that other commodities face. Without economic regulation, a strong potential exists for volatile and chaotic production and marketing practices. Milk supplies and market demands would be out of balance for extended periods of time. The swings in milk prices between the highs and lows would be much greater without government intervention.

The Dairy Marketing and Milk Pooling Branches continue to play major roles in the California dairy industry by administering a pricing structure that is fair to dairy producers, assuring processors an adequate supply of raw product at an equitable cost and providing healthy dairy products to consumers at fair and reasonable prices.

Stay tuned for next month's article "Producer Milk Statements and How Dollar Amounts are Derived".

INSPECTION FEES TO INCREASE

By Glen Van Shaack, Chief
Bureau of Livestock Identification
Division of Animal Industry

The Bureau of Livestock Identification is an industry funded program whose mission is to protect the livestock industry from losses due to theft and straying. Its primary source of income is from inspection fees of cattle as they are moved through the marketing chain or transported out of state. In March 1993, the fee for inspecting cattle was lowered from 90 cents to 50 cents per head in order to return to the producer an excess in the Bureau's reserve. In September 1996, the Advisory Board recommended that the fee be increased to 75 cents on a temporary basis, and then on June 12, 1997, recommended that the fees be returned to the level that was in effect prior to the 1993 reduction, which was 90 cents. In addition, a minimum service charge of ten dollars will be added, to be waived when more than eleven head are inspected at one site. This new fee schedule will become effective July 6, 1997.

CALIFORNIA ALFALFA HAY JUNE SUMMARY

Demand for alfalfa hay is moderate to good throughout the state on light to moderate offerings. TDN tests are beginning to decline. Some sellers in the Southern Desert areas are beginning to take a "wait and see" approach to the hay market. Trading of rain damaged hay has occurred in the Northern California marketing areas.

Shown below are Premium quality alfalfa hay prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA.

	May 1997	June 1997
Tons Sold 1/	130,815	116,550
Tons Delivered 2/	42,060	28,344

1/ For current or future delivery.

2/ Contracted or current sales.

	6/96 1/	6/13/97	6/20/97	6/27/97
Petaluma	\$144	\$160-170	\$168-170	\$160-170
North Valley 2/	\$145	\$150-170	\$150-170	\$150-172
South Valley 3/	\$141	\$156-176	\$156-173	\$150-172
Chino Valley	\$129	\$166	\$166	\$164-166

1/ June 1996 average of the weekly price quotations.

2/ North Valley is Escalon, Modesto and Turlock areas.

3/ South Valley is Tulare, Visalia, and Hanford areas.

For current pricing information and reports on the FOB market, you may subscribe to the California Alfalfa Hay Weekly Summary. Subscriptions are \$85 per year for a mailed report, and \$130 per year for faxed reports. Subscriptions are available from the USDA-AMS Livestock Market News Service 988 Juniper Street, Moses Lake, WA 98837, (509) 765-3611. Weekly reports are available at <http://www.ams.usda.gov/mncls>.

JUNE QUOTA TRANSFER SUMMARY

There were five quota sales in June, averaging \$311 per pound of SNF (without cows), with an average ratio of 2.44. This compares to a total of 23 quota sales, averaging \$321 per pound of SNF (without cows), with an average ratio of 2.44 for June 1996.

VESICULAR STOMATITIS NOTICE

By Larry Allen, DVM, PhD, Acting Chief
Animal Health Branch, Division of Animal Industry

Arizona has experienced the first case of vesicular stomatitis (VS) since the outbreak that affected the Western United States in 1995. New Mexico subsequently has reported two cases of this disease. Although these cases all involve horses, VS also may be transmitted to cattle, and swine, and to a lesser extent, to sheep and goats.

Vesicular stomatitis closely resembles foot-and-mouth disease and is caused by a virus that may be transmitted by direct contact or by certain biting insects. Symptoms of VS may include excessive salivation, loss of appetite and blister-like lesions involving the mouth, nostrils, feet and teats of lactating cows. Infected cattle may experience significant weight loss and a decrease in milk production.

A strict quarantine has been placed on the affected areas of Arizona and New Mexico. Consequently, California is requiring that all cattle, horses and swine imported from these two states (except cattle and swine being shipped directly to slaughter) must be accompanied by a health certificate (certificate of veterinary inspection) signed by an accredited veterinarian that includes the following statement:

"The animals represented on this health certificate have not originated from a premises or area under quarantine for vesicular stomatitis. I have examined the animals and have found no signs of vesicular stomatitis."

Although the 1995 outbreak did not include California, the state's livestock industry was heavily damaged in the 1982 outbreak when the disease was introduced into central valley dairies by replacement dairy animals brought in from other western states.

If you notice any of the above symptoms or would like additional information, please contact the Animal Health Branch at (916) 654-1447.

MINIMUM CLASS PRICES

Hundredweight prices for the months listed.

CLASS	MONTH	\$/CWT
1	Aug/Sep	12.56
2	Jun/Jul	12.58
3	Jun/Jul	12.48
4a	Jun	12.03
4b	Jun	9.90

HUNDREDWEIGHT POOL PRICES

--continued from page 1--

YEAR	MONTH	QUOTA	OVERBASE
1995	June	12.40	10.70
	July	12.42	10.72
	August	12.65	10.95
	September	12.93	11.23
	October	13.45	11.75
	November	13.62	11.92
	December	13.50	11.80
1996	January	13.49	11.79
	February	13.21	11.51
	March	13.15	11.45
	April	13.29	11.59
	May	13.87	12.17
	June	14.67	12.97
	July	15.10	13.40
	August	16.49	14.79
1997	September	16.76	15.06
	October	16.57	14.87
	November	14.42	12.72
	December	13.78	12.09
	January	13.94	12.24
	February	13.49	11.79
	March	13.59	11.89
	April	13.30	11.60
	May	12.74	11.04

Adri G. Boudewyn, CEO of the California Milk Advisory Board stated " The Supreme Court decision clearly backs the notion that collective action, in this case generic marketing of California dairy products, furthers the economic interests of dairy producers as a group. Statistics validate the impact of our program in California, where milk equivalency per capita consumption has increased from 614 pounds to 877 pounds from 1980 to 1994."

For additional information, please contact Dennis Manderfield at (916) 654-1245 or e-mail Dennis at dmanderfield@cdfa.ca.gov.

Please direct any comments or suggestions for future Newsletters to Candace Gates at (916) 654-0905 or e-mail Candace at cgates@cdfa.ca.gov.

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